



# **INCOME TAX**

## **TIPS FOR**

# **MILITARY TAXPAYERS**

**OFFICE OF**

**THE GARRISON  
ATTORNEY**

**U.S. ARMY GARRISON -MIAMI**



# THE USSOUTHCOM/ USAG-Miami TAX ASSISTANCE PROGRAM





# **MISSION STATEMENT**

**TO ELIMINATE THE NEED  
FOR MILITARY PERSONNEL,  
CIVILIAN EMPLOYEES, AND  
FAMILY MEMBERS TO PAY  
OTHERS TO PREPARE OR  
ELECTRONICALLY FILE A  
SIMPLE TAX RETURN.**





# **GOALS FOR CY 2003**

- **INCREASE TAXPAYER AWARENESS OF:**
  - FREE TAX ASSISTANCE SERVICES
  - ADVANTAGES OF USING SOFTWARE
  - BENEFITS OF DIRECT DEPOSIT
  - CHANGES TO EARNED INCOME CREDIT
- **MINIMIZE IMPACT OF DEPLOYMENTS ON MILITARY TAXPAYERS**





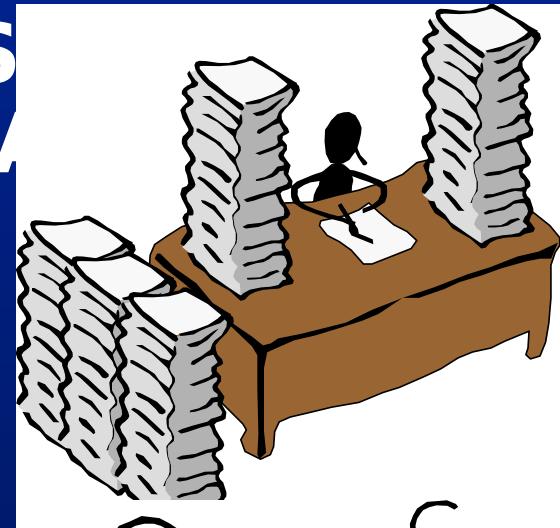
# *THE CHANGING FACE OF THE ARMY TAX ASSISTANCE PROGRAM*





# **WHAT'S OLD**

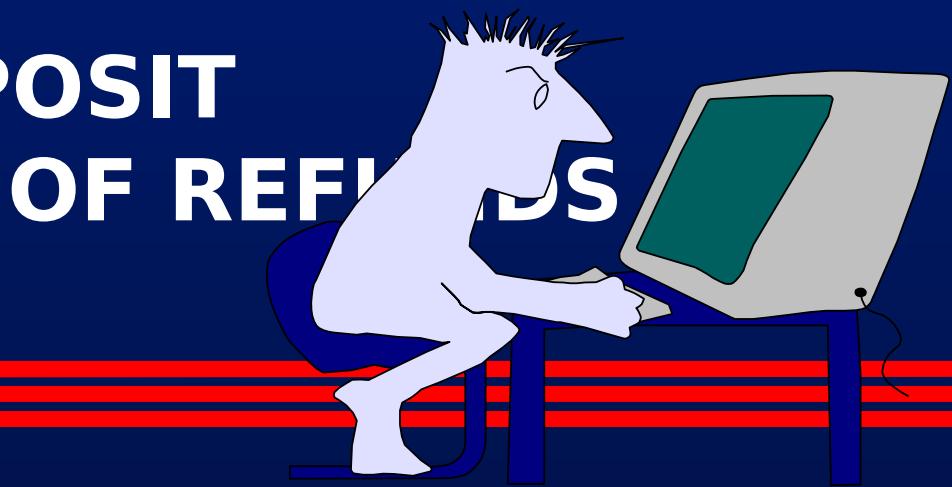
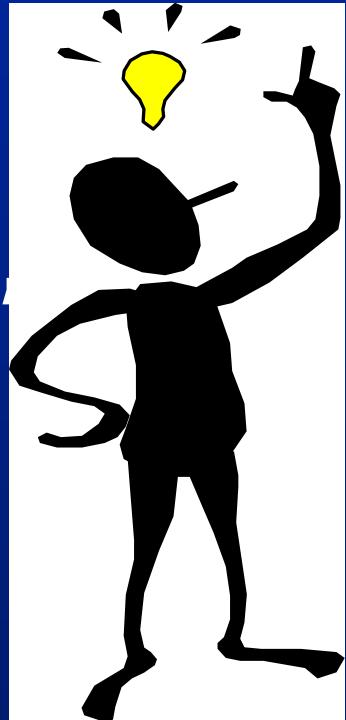
- UNIT TAX ADVISORS AS TAX PREP
- PAPER RETURNS
- DONE BY HAND
- CALCULATORS
- STUBBY PENCILS
- SNAIL MAIL TO PHILLY
- REFUND CHECKS





# **WHAT'S NEW**

- UTAs PREPARE “E-FILES”
- DONE BY COMPUTER
- “TAXWISE” SOFTWARE
- DOWNLOADING FORMS
- TRANSMITTING TO IRS
- DIRECT DEPOSIT OF REFUNDS





# ***ROLE OF THE UTA***

~~TAX  
PREPARE  
R~~

**TAX  
ADVISOR**

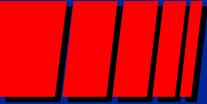




# **UTA DUTIES**

- ATTEND FIVE-DAY TAX COURSE
- BRIEF UNITS & FRGs
- WORK TWO DAYS IN TAX CENTER
- PROVIDE TAX ASSISTANCE
- PUBLICIZE & ADVERTISE!!





# **SCOPE OF UTA ASSISTANCE**

- ANSWER BASIC TAX QUESTIONS
- PREPARE TAX RETURNS
- FEDERAL AND STATE
- HELP “ANSWER” IRS NOTICES
- MAKE GOOD REFERRALS
- GET THE WORD OUT...





# **PUBLICITY**

- **MUST AGGRESSIVELY ADVERTISE**
- **POST “FREE TAX HELP” SIGNS**
- **ADDRESS FORMATIONS**
- **ADDRESS YOUR FRGs**
- **BE CREATIVE!**





# **A WORD ON ETHICS**

- LOOSE LIPS SINK SHIPS
- CONFIDENTIALITY IS CRITICAL
- DO NOT ASSIST PEOPLE WHO CHEAT ON THEIR TAXES
- DON'T ACCEPT PAYMENTS/GIFTS
- DON'T BAD MOUTH COMMERCIAL PREPARERS; TOUT THE VIRTUES OF FREE TAX ASSISTANCE





# **REFERRALS**

- TAX CENTER OR JAG
- ADVISE TAXPAYER WHAT TO  
BRING
- EVERY UTA HAS A “JAG POC”
- DON’T GUESS: CALL/E-MAIL POC
- NO RETURN IS TOO DIFFICULT
  - JAG CAN CONSULT IRS OR JAG TAX EXPERTS





# **CHANGES TO TAX LAW FOR TAX YEAR**



**2002**



# **NUMBERS TO KNOW**

- FOREIGN EARNED INCOME EXCLUSION INCREASED TO \$80,000
- COMBAT ZONE EXCLUSION FOR COMMISSIONED OFFICERS FOR 2002: \$5,533/MONTH





# **NUMBERS TO KNOW**

- **EARNED INCOME CREDIT LIMITS:**
  - **\$29,201 [\$30,201 MFJ]** -- 1 QUALIFYING CHILD
  - **\$33,178 [\$34,147 MFJ]** -- 2 OR MORE CHILDREN
  - **\$11,060 [\$12,060 MFJ]** -- NO QUALIFYING CHILD
- **MILEAGE ALLOWANCE:**
  - BUSINESS      **36.5 CENTS/MILE**
  - CHARITABLE    **14 CENTS/MILE**
  - MEDICAL       **13 CENTS/MILE**



# **|||| STANDARD DEDUCTION/ EXEMPTIONS**

- Single \$4,700    \$4,550
- Married Filing Joint    \$7,850    \$7,600

TY 2002    TY  
2001

& Qualifying Widow(er)

- Married Filing Separately \$3,925    \$3,800
- Head of Household    \$6,900    \$6,650

♥ *Exemptions are worth:*    \$3,000    \$2,900



# TAX CREDITS

- CHILD & DEPENDENT CARE CREDIT
- FOREIGN TAX CREDIT
- EARNED INCOME CREDIT
- **CHILD TAX CREDIT**
- **ADDITIONAL CHILD TAX CREDIT**
- **ADOPTION CREDIT**
- **HOPE SCHOLARSHIP CREDIT**
- **LIFETIME LEARNING CREDIT**





# **EARNED INCOME CREDIT**

- ***BIG CHANGE FOR TY 2002!***
- NO LONGER REQUIRED TO ADD NONTAXABLE INCOME TO AGI
- MEANS A LOT MORE MILITARY TAXPAYERS WILL QUALIFY
- CREDIT CAN BE AS MUCH AS \$4,140!





# **CHILD TAX CREDIT**

- **BIG MONEYMAKER FOR MILITARY**
- **NEW IN TY 1998 (\$400/CHILD)**
- **INCREASED TO \$500 for TY1999-2000**
- **INCREASED TO \$600 for TY2001-2004**
- **WILL INCREASE TO \$700 for TY2005-2008, \$800 for TY 2009, and \$1,000 for 2010 & on**
- **EASY TO OVERLOOK**
- **NEED TO FILE NEW W-4 FORMS TO PREVENT OVERWITHHOLDING**





# **DEDUCTIONS**

- **Educator Expense = \$250 for TY2002 & 2003**
- **Student Loan Interest = up to \$2,500 for TY 2002**
  - Old Law: 1<sup>st</sup> 60 months, no voluntary interest payment
  - New Law: No time limit, voluntary interest payment OK
- **Traditional IRA up to \$3,000 for TY2002**
- **Qualified Higher Education Expenses (Above line)**
  - TY 2002&2003 = \$3,000
  - TY2004&2005 = \$4,000
- **Hybrid Car Deduction = \$2,000 for TY2002**
  - Clean burning fuel/ partial battery powered engine
  - Toyota Prius, Honda Insight, Honda Civic Hybrid (2003)

# COMBAT ZONE TAX



# **COMBAT ZONE BASIC VOCABULARY**

- “COMBAT ZONE”
- “QUALIFIED HAZARDOUS DUTY AREA”
- “EXCLUSION”
- “EXTENSION”
- CONSULT PUB 3





# **COMBAT ZONES**

- CREATED BY EXECUTIVE ORDER
- **NEW!!**
  - **AFGHANISTAN & AIR SPACE ABOVE IT**
  - **RETROACTIVE TO 19 SEP 2001**
  - **ALSO TROOPS IN DIRECT SUPPORT & RECEIVING HOSTILE FIRE OR IMMINENT DANGER PAY SERVING IN:**
    - » **UZBEKISTAN, KYRGYSTAN, PAKISTAN, TAJIKISTAN, or JORDAN**
    - » **YEMEN**
    - » **INCERLIC AIRBASE, TURKEY, IF ISO OPERATION ENDURING FREEDOM**
    - » **DJIBOUTI**





# **COMBAT ZONES**

- **DESERT STORM**
  - STILL IN EFFECT
  - KUWAIT, IRAQ, SAUDI ARABIA, & ADJACENT WATERS
- **ALLIED FORCE**
  - NEW IN 1999
  - KOSOVO, SERBIA, & ALBANIA (PLUS ADRIATIC & NORTH IONIAN SEA)
- **VIETNAM & KOREA HAVE ENDED**





# **QUALIFIED HAZARDOUS DUTY AREAS**

- CREATED BY CONGRESS
- FORMER YUGOSLAVIA
  - BOSNIA, CROATIA, MACEDONIA
- ALLIED FORCE
  - KOSOVO, SERBIA, ALBANIA (PLUS ADRIATIC & NORTH IONIAN SEA)
- INCLUDES THOSE IN DIRECT SUPPORT OF OPERATIONS IN QHDA





# **EXCLUSION**

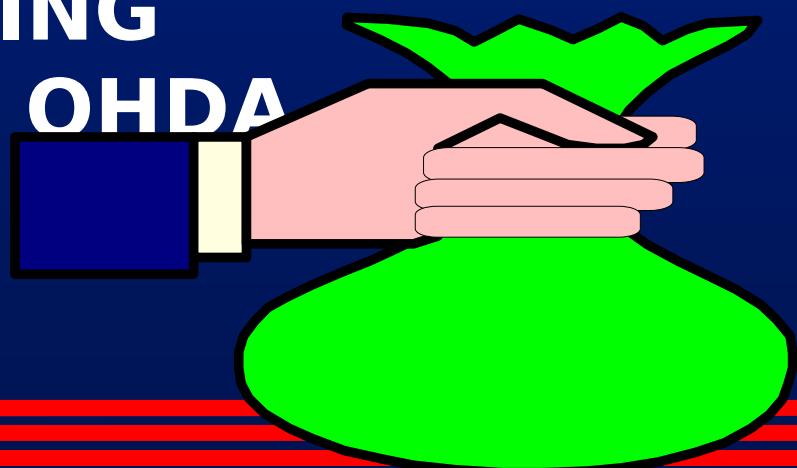
- MEANS YOU DON'T HAVE TO PAY TAX ON MILITARY PAY YOU RECEIVE IN CZ OR QHDA
- APPLIES TO MILITARY ONLY
- ENLISTED & WARRANT OFFICERS
  - **ALL MILPAY EXCLUDED**
- COMMISSIONED OFFICERS
  - ANY MILPAY OVER EXCLUDABLE AMOUNT (\$5,533/MO.) TAXABLE





# **EXCLUSION**

- FOR “EACH MONTH OR PART OF A MONTH” SERVED IN CZ OR QHDA
- APPLIES TO BONUSES & STUDENT LOAN REIMBURSEMENTS WHICH THE SOLDIER BECAME ENTITLED TO WHILE SERVING IN CZ OR OHDA





# **EXTENSION**

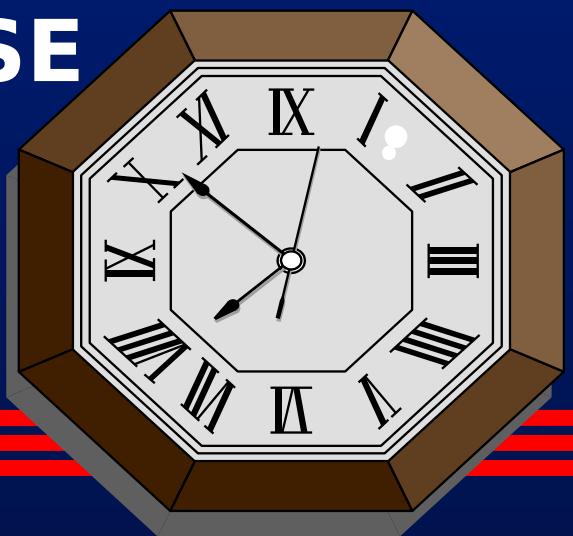
- MEANS YOU HAVE MORE TIME TO FILE TAX RETURNS AND TAKE CARE OF OTHER TAX MATTERS
- APPLIES TO MILITARY AND SOME CIVILIANS IN CZ OR QHDA
- ALSO APPLIES TO THOSE IN DIRECT SUPPORT OF OPERATIONS IN CZ OR QHDA





# **EXTENSION**

- **180 DAYS FROM DATE SOLDIER REDEPLOYS, PLUS # OF DAYS SOLDIER HAD LEFT TO FILE WHEN (S)HE DEPLOYED**
- **IF SPONSOR HAS EXTENSION, SO DOES THE SPOUSE**





# **TAX SERVICES FOR DEPLOYED PERSONNEL**

- JUST BECAUSE YOU HAVE AN EXTENSION DOES NOT MEAN YOU HAVE TO WAIT TO FILE, ESP. IF YOU'RE GETTING A REFUND
- FREE ELECTRONIC FILING IS AVAILABLE IN MOST PLACES WHERE TROOPS ARE DEPLOYED



# **TAX SERVICES FOR SPOUSES OF DEPLOYED**

**• IF SPONSOR GAVE SPOUSE A  
PERSONNEL POWER OF ATTORNEY, SPOUSE CAN  
FILE A JOINT RETURN IN ANY TAX  
CENTER**

- SPOUSE CAN ALSO E-FILE AND  
HAVE REFUND DIRECTLY DEPOSITED  
INTO A JOINT BANK ACCOUNT**
- “WHY DELAY? FILE TODAY”**



# **FOREIGN TAX ISSUES**



# FOREIGN EARNED INCOME

- A LOT OF TAXPAYERS IN THE MILITARY COMMUNITY HAVE IT:
  - RED CROSS, USO, BANK/CREDIT UNION, UNIV. OF MD. EMPLOYEES
  - INDEPENDENT CONTRACTORS
- FILE FORM 2555 TO EXCLUDE IT
  - IF PAID BY THE U.S. GOVERNMENT OR THE DEFENSE COSTS OFFICE, YOU CANNOT TAKE THE EXCLUSION



# **FOREIGN SPOUSES**

- IF YOU MARRIED A FOREIGNER IN 2002 YOU MUST:
  - OBTAIN AN **ITIN** FOR YOUR SPOUSE
  - DECIDE WHICH FILING STATUS TO USE
  - FILE A “DECLARATION” IF FILING JOINTLY FOR THE FIRST TIME
- CONSULT PUB 54





# **HOW TO OBTAIN AN ITIN**

- FILL OUT FORM W-7
- HAVE CERTIFIED COPIES OF SUPPORTING DOCUMENTS MADE
- DOCUMENTS WITH PHOTO PREFERRED
- MAIL TO IRS
- ALLOW 6-10 WEEKS FOR DELIVERY
- SEE SEPARATE HANDOUT FOR DETAILS





# **FOREIGN STEPCHILDREN**

- **DEPENDENTS MUST BE A CITIZEN OR RESIDENT ALIEN OF THE U.S., CANADA, OR MEXICO**
  
- **YOU CAN CLAIM THEM IF:**
  - **YOU TAKE THEM BACK TO THE U.S.**
  - **YOU ADOPT THEM**





# **CHRONIC NONFILERS**

- **HUGE PROBLEM OVERSEAS**
- **RESULT OF:**
  - PROCRASTINATION
  - “TAXOPHOBIA”
  - DEPLOYMENTS
- **FORFEIT REFUNDS AFTER 3 YEARS**
- **GO BACK 6 YEARS AND FILE**
- **JAG CAN HELP**





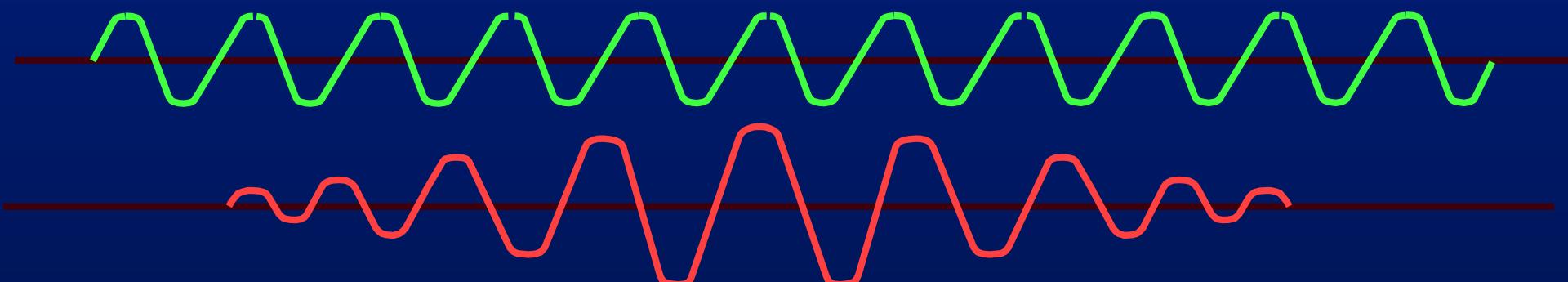
# TAX TIPS FOR MILITARY TAXPAYER





# A COMBAT MULTIPLIER FOR MILITARY TAXPAYERS

*www.irs.gov*





# ***www.irs.gov***

- **ENABLES YOU TO DOWNLOAD**
  - FORMS
  - INSTRUCTIONS
  - PUBLICATIONS
- **CURRENT & PRIOR YEARS**
- **HAS LINKS TO STATE DEPT OF REVENUE WEB SITES**



# **DECEMBER LEAVE & EARNINGS STATEMENT**

- NEVER USE DECEMBER LES  
INSTEAD OF PROPER W-2 FORM
- USING DECEMBER LES CAN  
CHEAT MILITARY TAXPAYERS OUT  
OF FULL EARNED INCOME CREDIT
- **DON'T BE MISLED BY  
COMMERCIAL TAX PREPARERS!**

# **REFUND ANTICIPATION LOANS (RAPID REFUNDS)**

• CONSUMER REPORTS CALLS  
THEM “A RIP OFF”

- TAXPAYER PAYS THREE FEES:
  - PREPARATION FEE
  - E-FILING FEE
  - REFUND ANTICIPATION LOAN FEE
- ANNUAL EFFECTIVE RATE OF  
INTEREST CAN EXCEED 300%!



# **SOCIAL SECURITY NUMBERS**

- ALL DEPENDENTS NEED SSNs
- TAXPAYERS NEED TO BRING SSN CARDS TO TAX CENTER
  - NAMES ON TAX RETURN MUST MATCH NAMES ON SSN CARD
  - DOUBLE CHECK FIRST AND SECOND LAST NAMES
- DID SPOUSE CHANGE NAME ON SSN CARD AFTER MARRIAGE?





# **EXTENSIONS**

- AUTOMATIC EXTENSION OF DEADLINE TO FILE TO 16 JUNE IF OVERSEAS ON 15 APRIL
- JUST WRITE “**TAXPAYER OVERSEAS --AUTOMATIC TWO-MONTH EXTENSION**” ACROSS THE TOP OF THE RETURN TO CLAIM IT
- INTEREST BEGINS TO ACCRUE ON 16 APRIL
- **BOTTOM LINE:** NEED TO FIGURE OUT IF YOU OWE **BEFORE** 15 APRIL



# ***NEED EVEN MORE TIME?***

- FILE FORM 4868 FOR EXTENSION UNTIL 15 AUGUST
- FILE FORM 2688 FOR ADDITIONAL EXTENSION UNTIL 15 OCTOBER
- DEPLOYED/MOBILIZED SOLDIERS OFTEN QUALIFY FOR EVEN LONGER EXTENSIONS...





# **OVERWITHHOLDING**

- RAMPANT IN THE MILITARY
- CHILD TAX CREDIT MADE IT WORSE
- USING THE IRS AS A SAVINGS ACCOUNT IS DUMB
- OTHERS CAN WITHDRAW YOUR EXPECTED REFUND THRU “OFFSET” PROGRAM
- **SOLUTION:** FILL OUT NEW W-4 FORM PROPERLY AND TURN IT IN





# **RESPONDING TO IRS NOTICES**

- TAX PROBLEMS DO NOT IMPROVE WITH AGE
- FAILURE TO ANSWER THE MAIL CAN BE VERY COSTLY
- UNIT TAX ADVISORS CAN HELP
  - “TRANSLATE” IRS NOTICES, AND
  - SET UP AN APPOINTMENT WITH A LEGAL ASSISTANCE ATTORNEY, IF NECESSARY



# STATE TAX ISSUES





# ***FILING STATE INCOME TAX RETURNS***

- ONE OF THE MOST COMPLICATED THINGS WE DO
- MANY AMERICANS OVERSEAS NEGLECT TO FILE
- SOME MUST FILE 2 OR 3 STATE RETURNS
- ***CIVILIANS WATCH OUT!*** NO WITHHOLDING CAN BE A TRAP





# **STATE TAX TERMINOLOGY**

- “HOME OF RECORD”
- “STATE OF LEGAL RESIDENCE”
  - DD FORM 2058
- SOLDIERS’ & SAILORS’ CIVIL RELIEF ACT
- RESIDENT, NONRESIDENT, OR PART-YEAR RESIDENT RETURN?





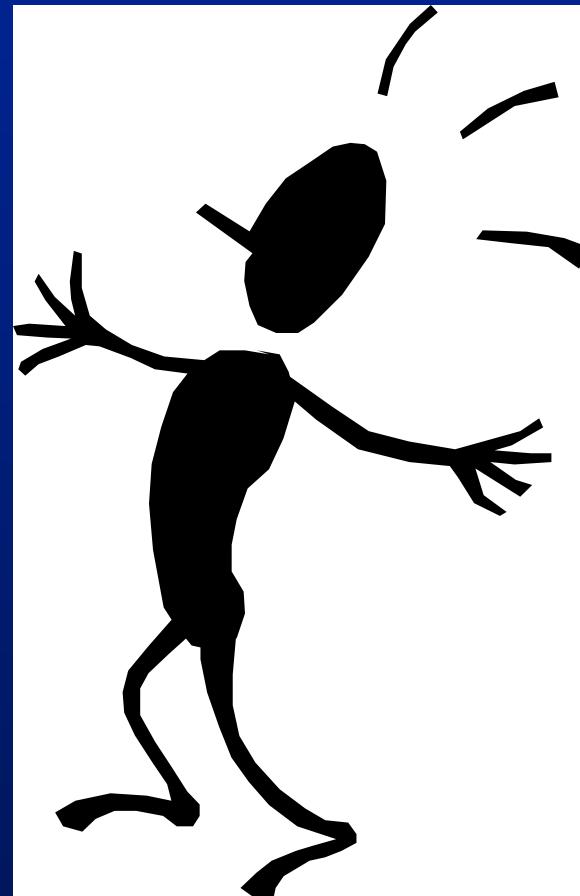
# ***NO STATE INCOME TAX***

- ALASKA
- FLORIDA
- NEVADA
- SOUTH DAKOTA
- TEXAS
- WASHINGTON
- WYOMING
- NEW HAMPSHIRE
- TENNESSEE
  - *Tax interest & dividends only...*



# **STATES WITH A “3-PART TEST”**

- NEW YORK
- NEW JERSEY
- PENNSYLVANIA
- CONNECTICUT
- WEST VIRGINIA
- OREGON
- MISSOURI
- OHIO





# **TYPICAL 3-PART TEST**

- TAXPAYER MAINTAINED NO PERMANENT HOME IN STATE
- TAXPAYER MAINTAINED A PERMANENT HOME OUTSIDE STATE
- TAXPAYER SPENT NO MORE THAN 30 DAYS IN STATE DURING TAX YEAR
- DD FORM 2058-1





# **ISSUES REGARDING THE 3-PART TEST**

- **WHAT IS MEANT BY PERMANENT HOME?**
  - TRANSIENT VS. PERMANENT
- **DID YOU HAVE TO MAINTAIN THE PERMANENT HOME OUTSIDE THE STATE ALL YEAR?**
- **MUST YOU FILE A STATE RETURN TO GET THE EXEMPTION?**



# **STATES WITH SPECIAL TAX BREAKS FOR THE**

## **ARMED MILITARY**

- CALIFORNIA
- COLORADO
- IDAHO
- ILLINOIS
- INDIANA
- MARYLAND
- MICHIGAN
- MINNESOTA

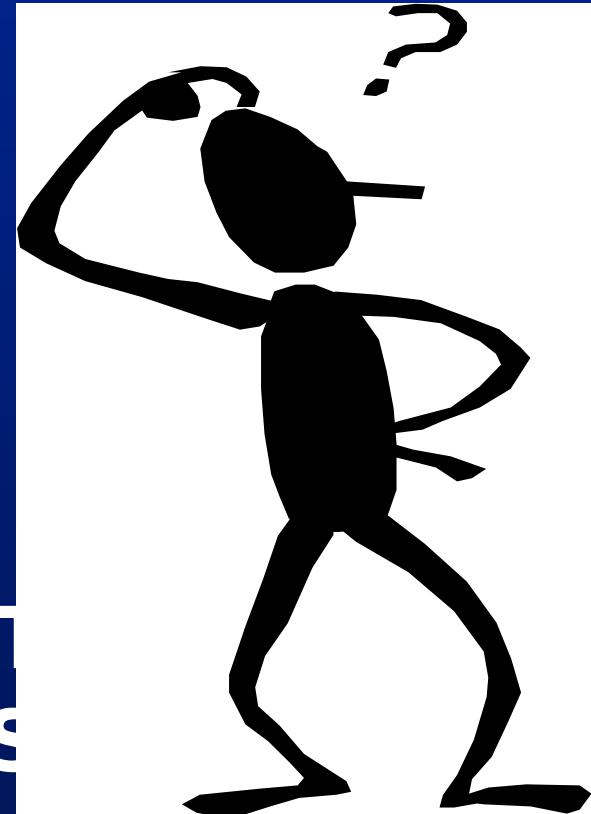
- MONTANA
- NORTH DAKOTA
- OKLAHOMA
- VERMONT
- VIRGINIA



# **STATES THAT REQUIRE SPECIAL CARE**

- PUERTO RICO
- ARIZONA
- MISSOURI
- OHIO
- WHAT ABOUT

**IN-STATE  
RATES**





# **BOTTOM LINE ON STATE TAXES**

- THERE IS NO SUBSTITUTE FOR READING THE INSTRUCTIONS CAREFULLY
- DON'T ASSUME ANYTHING
- LOOK FOR SPECIAL RULES THAT APPLY TO MILITARY TAXPAYERS
- ASK YOUR UNIT TAX ADVISOR



# ELECTRONIC TAX FILING



# **ADVANTAGES OF E-FILING**

- **ACCURACY**
  - ERROR RATE, PAPER RETURNS: **21%**
  - ERROR RATE, E-FILED RETURNS: **<1%**
- **SPEED**
  - ACKNOWLEDGMENTS W/IN 24 HRS
  - DIRECT DEPOSIT IN 10-14 DAYS
- **SECURITY**
- **IT'S THE IRS-PREFERRED METHOD**

# **WHAT TO BRING TO THE TAX CENTER**

- ✓ ID CARD**
- ✓ W-2s, 1099 FORMS, 1098 FORMS**
- ✓ SSN CARDS FOR SPOUSE & KIDS**
- ✓ COPY OF LAST YEAR'S TAX RETURNS**
- ✓ YOUR SPOUSE, IF FILING JOINTLY, OR**
- ✓ POWER OF ATTORNEY FROM SPOUSE**
- ✓ BANK CARD OR BLANK CHECK WITH  
ROUTING AND ACCOUNT NUMBERS**



# **YOUR CLOSEST TAX PROFESSIONAL**

Your Directorate's  
Unit Tax Advisor





# **TAX CENTER HOURS**

Thurman Building, Room  
1501c MON-FRI, 0900-  
1500 from 3  
February thru 18 April

Sign-in at the waiting  
area by the ITR Office.

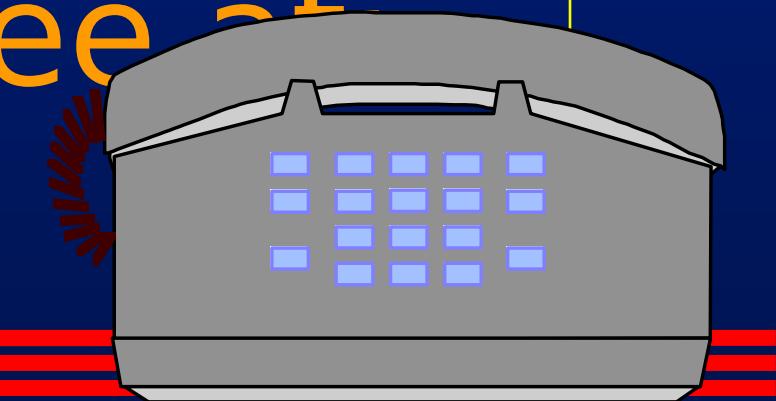
You will be escorted to



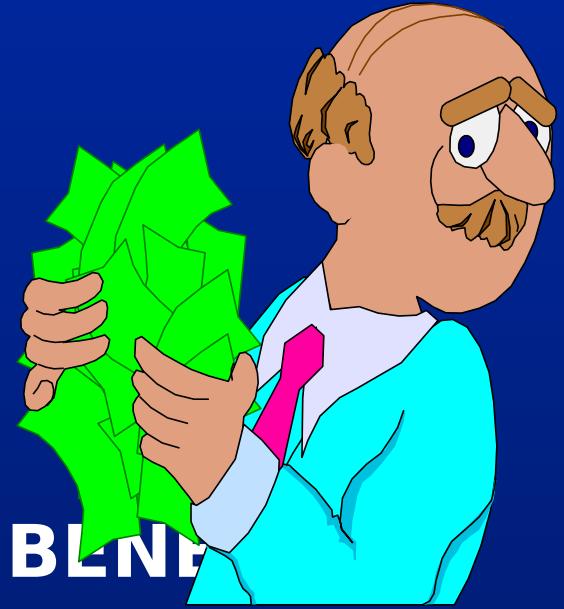
# **TAX CENTER PHONE #**

For Information on  
Tax Center Hours or  
to Schedule an  
Appointment, Please  
Contact SSG Lee at

**DSN 567-1303**



# CONCLUSION



- FREE TAX ASSISTANCE IS A VALUABLE BENEFIT
- WE SAVE OUR TAXPAYERS MILLIONS
- WE HAVE A TEAM OF TAX EXPERTS READY TO HELP YOU
- LET US “***SHOW YOU THE MONEY!***”

